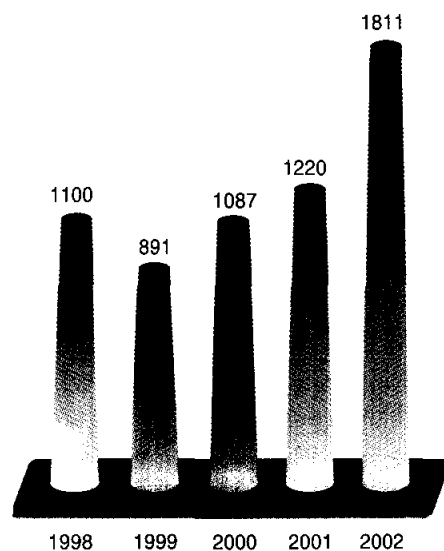


ANNUAL REPORT 2002

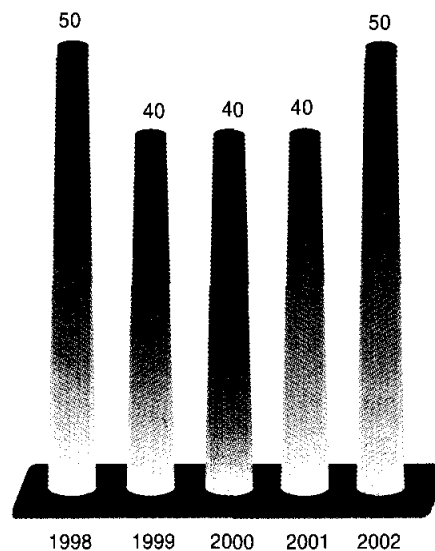


Ashok Leyland Finance Limited

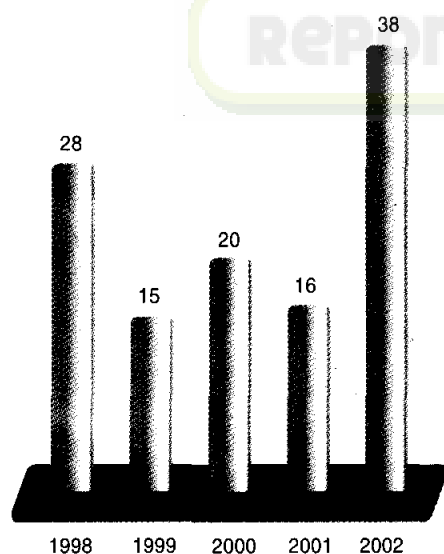
Stock on Hire - Rs. Crore



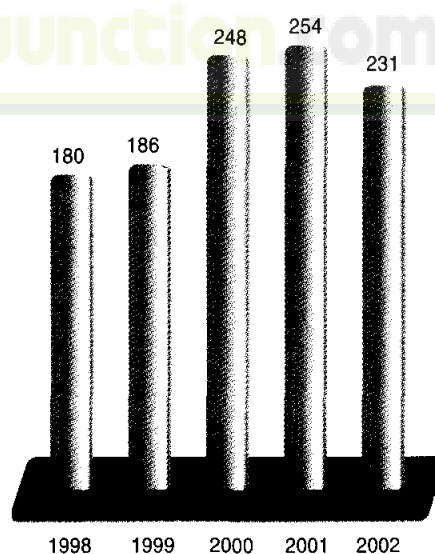
Dividend (%)



Profit After Tax - Rs. Crore



Networth - Rs. Crore





ASHOK LEYLAND FINANCE LIMITED

BOARD OF DIRECTORS

S. Venkitaramanan *Chairman*
R.J. Shahaney *Vice Chairman*
T. Anantha Narayanan
Bharat M. Sanghvi
A.C. Chakrabortti
B.D. Punjabi *(upto 15.10.01)*
K.C. Samdani *(upto 9.10.01)*
A.J. Sandil *(upto 4.1.02)*
R. Seshasayee
S. Solomon Raj
Dheeraj G. Hinduja *(From 23.10.01)*
(Alternate B.D. Punjabi)
I.N. Chatterjee *(From 23.10.01)*
S. Kuppuswami *Nominee of UTI*
S. Nagarajan *Managing Director*

EXECUTIVE DIRECTORS

N. Sampath Kumar
S.V. Parthasarathy

SECRETARY

P. Ragunathan

REGISTERED OFFICE

Sudarsan Building
 86 Chamiers Road
 Chennai 600 018
 Ph: 4356676, 4359457, 4359461
 Fax: 44 - 4343646

FINANCIAL INSTITUTIONS

ICICI Limited
 GE Capital Services India
 Citicorp Finance (India) Limited
 Housing Development Finance Corporation Limited

BANKERS

State Bank of India
 Central Bank of India
 Punjab National Bank
 Canara Bank
 United Bank of India
 The Hongkong & Shanghai
 Banking Corporation
 Standard Chartered Grindlays Bank
 The Karur Vysya Bank Limited
 Citibank, N.A.
 State Bank of Hyderabad
 The Federal Bank Limited
 State Bank of Saurashtra
 Bank of Baroda
 UTI Bank Limited
 UCO Bank
 HDFC Bank Limited
 Bank of America
 ABN AMRO Bank N.V.
 State Bank of Mysore
 State Bank of Travancore
 Bank of India
 The Catholic Syrian Bank Limited
 ICICI Bank Limited

AUDITORS

Prasad & Srinath
 Chartered Accountants
 "Siddarth Apartment", Flat No.4, First Floor,
 40, C.P. Ramasamy Road, Chennai 600 018.

TRUSTEE - ODD LOT SHARES

S. Prasad
 Chartered Accountant
 "Siddarth Apartment", Flat No.4, First Floor,
 40, C.P. Ramasamy Road, Chennai 600 018.

CONTENTS	PAGE
Highlights of Performance	2
Notice to the Shareholders	3
Explanatory Statement	7
Directors' Report	9
Report on Corporate Governance	13
Management Discussion and Analysis	19
Auditors' Report	23
Balance Sheet	26
Profit and Loss Account	27
Schedules to the Accounts	28
Notes to the Accounts	34
Cash Flow Statement	40

HIGHLIGHTS OF PERFORMANCE

		Rs. Lakhs									
	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
		(9 Months)									
Gross Income	30776	19663	24772	28668	33064	28034	22445	17827	10114	7517	5069
Gross Profit	7935	4397	5461	5194	8656	7333	7163	6382	3429	2197	1503
Profit Before Tax	5806	2368	2326	1712	4628	3453	4134	3736	1983	1289	990
Profit After Tax	3764	1618	2026	1502	2828	3443	3509	3021	1670	1274	919
Stock-on-Hire	181100	121992	108713	89094	110027	103018	80903	56626	39404	28674	18415
Assets on Lease	17371	20430	22339	28339	30463	29222	23261	16872	9893	6869	4086
Gross Assets	234355	170861	153728	141868	161099	154692	122198	99324	60333	40571	25329
Shareholders' Funds	23132	25357	24796*	18629	18036	16334	14017	11532	9535	3580	2441
Fixed Deposits	23954	22436	24604	29971	35137	36782	17029	11603	8007	4801	4012
Dividend (%)	50	\$40	40	40	50	50	50	50	45	40	40
Book Value (Rs.)	88	98.86	96.12	91.00	88.10	79.79	68.47	56.33	46.58@	71.60#	97.64
EPS (Rs.)	15.90	8.06&	9.56	7.34	13.81	16.82	17.14	14.76	17.13@	44.63#	35.77

25,00,000 Shares issued during the year.
@ 1,54,72,000 Shares added – Bonus/Rights issue.
* Includes Rs. 5118.01 lakhs Cumulative Convertible Preference Shares issued during the year.
\$ Prorated for nine months.
& Annualised EPS.



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the TWENTIETH ANNUAL GENERAL MEETING of the company will be held at Satguru Gnananandha Hall, (Narada Gana Sabha), New No. 314, (Old No.254), TTK Road, Alwarpet, CHENNAI 600 018 at 10.30 AM on Thursday, the 25th July, 2002 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors.
2. To approve and ratify the Interim Dividend paid for the year 2001-2002.
3. To declare Final Dividend
4. To appoint a Director in the place of Mr. S. Venkitaramanan who retires by rotation as per Article 42(1) of the Articles of Association of the company and who, being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. R. Seshasayee who retires by rotation as per Article 42(1) of the Articles of Association of the company and who, being eligible, offers himself for re-appointment.
6. To appoint a Director in the place of Mr. T. Anantha Narayanan who retires by rotation as per Article 42(1) of the Articles of Association of the company and who, being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration. The retiring Auditors M/s. Prasad and Srinath, Chartered Accountants, Chennai are eligible for re-appointment. In addition, M/s. SNB Associates, Chartered Accountants, Chennai are being inducted as Joint Auditors. In this connection to consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED that M/s. Prasad and Srinath, Chartered Accountants, Chennai and M/s. SNB Associates, Chartered Accountants, Chennai be and are hereby appointed as Auditors of the company to hold office from the conclusion of

this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs.3.50 lakhs (Rupees Three lakhs fifty thousand only) each in addition to reimbursement of out-of-pocket expenses".

SPECIAL BUSINESS:

8. To be moved as a Special Resolution.

To consider and if thought fit, to pass with or without modification(s) the following resolution as a special resolution:

"RESOLVED THAT pursuant to provisions of Sec 31 and other applicable provisions, if any, of the Companies Act 1956, the Articles of Association of the Company be and is hereby amended in the manner and to the extent set out below:

The following article shall replace the existing article 62.

A. The Board shall provide for the safe custody of the Seal.

B. Subject to any statutory requirement as to share certificates or otherwise the Seal of the Company shall not be affixed to any instrument except by the authority of a Resolution of the Board or of a Committee of the Board authorised by it in that behalf, and except in the presence of at least one director or any other officer of the Company authorised by the Board or Committee of the Board who shall sign every instrument to which the Seal of the Company is so affixed in his presence.

9. To be moved as a Special Resolution:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a special resolution:

"RESOLVED THAT pursuant to the provisions of Sec 198 & 309 and other applicable provisions if any of the Companies Act 1956, or any statutory modifications or re-enactment thereof, authority be and is hereby accorded to the payment to the Non Whole Time Directors

of the Company commission upto 1% (One percent) of the net profits of the company for a period of five financial years commencing from 1st April, 2002 to 31st March, 2007.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to decide from time to time the quantum of commission to be distributed to the Directors within the overall limit of 1% of the Net Profits of the Company.

10. To be moved as an Ordinary Resolution:

To consider and if thought fit, to pass with or without modification (s) the following resolution as an ordinary resolution:

RESOLVED THAT The Authorised Capital of the company be and is hereby increased from Rs. 102 crore (Rupees One hundred and two crore only) divided into 50000000 Equity shares of Rs. 10/- each and 10400000 Cumulative Convertible Preference Shares of Rs. 50/- each to Rs. 202 crore (Rupees Two hundred and two crore only) consisting of 50000000 Equity Shares of Rs. 10/- each, 10400000 Cumulative Convertible Preference Shares of Rs. 50/- each and 10000000 Non Convertible Redeemable Cumulative Preference Shares of Rs. 100/- each.

11. To be moved as an Ordinary Resolution:

To consider and if thought fit, to pass with or without modification (s) the following resolution as an ordinary resolution:

RESOLVED THAT the existing clause V of the Memorandum of Association of the Company be deleted and in its place the following be and is hereby inserted.

The Authorised Capital of the company is Rs. 202 crore (Rupees Two hundred and two Crore only) divided into 50000000 Equity Shares of Rs. 10/ each, 10400000 Cumulative Convertible Preference Shares of Rs. 50/ each and 10000000 Non Convertible Redeemable Cumulative Preference Shares of Rs. 100/ each.

12. To be moved as a Special Resolution:

To consider and if thought fit, to pass with or without modification (s) the following resolution as a Special Resolution:

RESOLVED THAT Article 3 (a) of the Articles of Association of the Company be and is hereby altered by substituting the following.

The Authorised capital of the company is Rs. 202 crore (Rupees two hundred and two crore only) divided into 50000000 Equity Shares of Rs. 10/- each, 10400000 Cumulative Convertible Preference Shares of Rs. 50/- each, and 10000000 Non Convertible Redeemable Cumulative Preference Shares of Rs. 100/- each.

13. To be moved as a Special Resolution:

To consider and if thought fit, to pass with or without modification (s) the following resolution as a Special Resolution:

RESOLVED THAT pursuant to Provisions of Sec 81 (1A) and other applicable provisions if any of the Companies Act 1956, (including any statutory modification(s) or re enactment thereof) the Board of Directors of the Company (hereinafter referred to as the Board which expression shall also include a Committee thereof) be and is hereby authorised to issue 10000000, 9% Non Convertible Redeemable Cumulative Preference Shares of Rs. 100/- each on private placement basis to Mutual Funds, Bodies Corporate, Banks, Financial Institutions, Other Statutory or Non-Statutory Authorities, Government or Quasi Governmental Bodies, Individuals, Other Entities and such other person(s) as the Board may decide.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary the terms of issue including the rate of dividend, and fix the date of redemption which shall not exceed ten years from the date of issue.

**14. To be moved as an Ordinary Resolution:**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT in supersession of resolution passed at the Annual General Meeting of the Company held on 31st August 2000, the consent of the Company be and is hereby accorded in terms of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time any sum or sums of money which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the Paid-up Capital of the Company and its Free Reserves, that is to say, reserves not set apart for any specific purposes provided that, such excess as determined by the amount so borrowed by the Board shall not at any time exceed Rs.3000 crore (Rupees Three Thousand Crore only)".

By Order of the Board

Registered Office
Sudarsan Building
86 Chamiers Road
Chennai 600 018.

P RAGUNATHAN
General Manager
(Taxation & IA) and
Company Secretary

May 6, 2002

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

2. Please bring the admission slip with you duly filled in and hand over the same at the entrance of the Meeting Hall.
3. It will be helpful if your Registered Folio Number/ Client ID No. is quoted in all your correspondence with the Company.
4. The Explanatory Statement setting out the material facts in respect of the business under Item Nos. 8 to 14 of the accompanying Notice pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 16th July, 2002 to 25th July, 2002 (both days inclusive).
6. All documents referred to in the above Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during Office Hours.
7. Consequent to amendment to Section 205A and establishment of Investors' Education and Protection Fund, the amount of dividend remained unclaimed for a period of seven years shall be transferred to the aforesaid fund.

Shareholders who have not encashed the dividend warrants for the year ended 30.6.1996 and or any subsequent dividend payments are required to make their claim to the company.

Shareholders who have not encashed the dividend warrants for the earlier years (prior to June, 1996) are requested to claim the amount from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, No.26, Haddows Road, Chennai 600 006.

8. At this Annual General Meeting Mr. S. Venkitaramanan, Mr.R. Seshasayee and Mr. T. Anantha Narayanan retire by rotation and being eligible offer themselves for reappointment.

As per clause 49 of the Listing Agreement with the Stock Exchanges a brief back ground, functional expertise of the Directors proposed for reappointment are furnished below along with details of Companies in which they are Directors and the Committees of which they are members.

- A. Mr. S. Venkitaramanan aged about 71 years is former Governor, Reserve Bank of India and has vast experience in Finance & Banking.

He is on the Board of a number of Companies, the details of which are given below:

Directorship	Committee Membership
CHAIRMAN	
Ashok Leyland Investment Services Ltd	
New Tirupur Area Develop. Corpn. Ltd	
Tamil Nadu Water Investment Co. Ltd	
DIRECTOR	
Reliance Industries Ltd.	Audit Committee
Housing Development Finance Corpn. Ltd	
Nicholas Piramal India Ltd	Audit Committee
SPIC Petrochemicals Ltd	
BPL Telecom Private Ltd.	
WorldTel Tamil Nadu Private Ltd	

- B. Mr. R. Seshasayee aged about 54 years is a Chartered Accountant and Managing Director of M/s Ashok Leyland Ltd. He has been associated with the Company since inception.

He is a member of the Board of number of Companies, the details of which are given below:

Directorship	Committee Membership
CHAIRMAN	
Irizar TVS Pvt Ltd (formerly TVS Coach Ltd)	
DIRECTOR	
Ashok Leyland Ltd (Managing Director)	Shareholders/ Investors Grievance Committee
Ashley Holdings Ltd	
Ashley Investments Ltd	
EID Parry (India) Ltd.	Audit Committee, Remuneration Committee
Ennore Foundries Ltd	
ICICI Ltd	Audit Committee (Chairman), Business Strategy Committee
Sundaram Newton Asset Management Co. Ltd.	

- C. Mr. T. Anantha Narayanan aged about 57 years is a Chartered Accountant and Executive Director - Finance of M/s Ashok Leyland Ltd. He has been associated with the Company since inception. The companies in which he is a Director are given below:

Directorship	Committee Membership
DIRECTOR	
Ashok Leyland Project Services Ltd	Audit Committee
Ashok Leyland Investment Services Ltd	
Ashok Leyland Properties Ltd.	
Ashley Holdings Ltd.	
Ashley Investments Ltd	
Hinduja TMT Ltd	Audit Committee
TVS Lanka (P) Ltd	
Irizar TVS (P) Ltd (formerly TVS Coach Ltd)	



EXPLANATORY STATEMENT

Pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 8

Article 62 of the Articles of Association of the Company provides for safe custody of the Common Seal and prescribes the authority for affixing the common seal on any instrument. In order to, raise funds for the operations of the Company a number of documents have to be executed at frequent intervals and it is extremely difficult for the Directors to be present on each occasion for affixing the Common Seal in the documents.

Therefore in order to provide authority to the Board of Directors to authorise any officer of the Company for affixing the Common Seal, approval of the shareholders is being sought for amending the Articles of Association as set out in the resolution.

A copy of the Memorandum and Articles of Association together with the proposed amendment is available for inspection by the members at the Registered Office of the Company during office hours on any working day.

None of the Directors is interested in this resolution.

Item No. 9

The Shareholders at the Annual General Meeting held on 5th November 1997 had approved payment of commission to Non Whole time Directors at 1 % of Net Profits of the Company for a period of 5 years from 1st July 1997 to 30th June 2002.

The responsibilities and liabilities of the Directors have increased substantially in the recent years and it is necessary to adequately compensate for the time and efforts put forth by them.

For this purpose the special resolution as set out under item No 9 of the Notice is placed before the Share Holders for approval. The approval will be effective for a period of five years from 1st April 2002.

All the Directors other than the Managing Director are interested in the resolution to the extent of the commission payable to them.

Item No. 10, 11 & 12

The present Authorised Capital of the company is Rs.102 crore divided into 50000000 Equity Shares of Rs. 10/- each and 10400000 Cumulative Convertible Preference Shares of Re. 50/- each.

In view of the proposed issue of Non Convertible Redeemable Cumulative Preference Shares on private placement basis, the Authorised Capital has to be increased to include Non Convertible Redeemable Cumulative Preference Shares also and accordingly the resolutions as set out under item no 10, 11, & 12 are placed before the Share Holders for approval.

None of the Directors of the company is interested in this resolution.

Item No. 13

Reserve Bank of India regulations permit inclusion of Preference Share Capital as tier II capital for the purpose of Capital Adequacy Requirements. In order to increase Capital Adequacy Ratio it is proposed to issue 9% Non Convertible Redeemable Cumulative Preference Shares to the extent of Rs. 100 crore.

As the Redeemable Preference Shares are going to be issued on private placement basis, the shareholders approval is being sought under sec 81(1A) of the Companies Act 1956.

None of the Directors of the company is interested in this resolution.

Item No. 14

Under Sec 293 (1) (d) of the Companies Act, 1956 the Board of Directors shall not except with the consent of the shareholders in the General Meeting, borrow monies (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of Paid up Capital and Free Reserves of the Company.

According to explanation 1 to the Section every resolution passed in the General Meeting of the Company in relation to the exercise of the above

power shall specify the total amount up to which monies may be borrowed by the Board of Directors over and above the aggregate of Paid up Capital and Free Reserves. At the Annual General Meeting of the Company held on August 31, 2000 the Members had authorised the Board of Directors to borrow monies not exceeding Rs. 2000 Crore.

Taking into account the requirements for additional finance for working capital in view of the increased volumes envisaged in the years to come, it is proposed to obtain consent of the Members to increase the limit to Rs. 3000 crore over and above the aggregate of Paid-up Capital and Free

Reserves of the Company. Hence the resolution as set out in item no 14 is proposed.

None of the Directors is interested in this resolution.

By Order of the Board

Registered Office
Sudarsan Building
86 Chamiers Road
Chennai 600 018.

P RAGUNATHAN
*General Manager
(Taxation & IA) and
Company Secretary*

May 6, 2002

